

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3014 - SB 3184

February 11, 2012

SUMMARY OF BILL: Effective July 1, 2012, requires the Department of Environment and Conservation (TDEC) to regulate underground storage tanks (UST) only to the extent required by federal law. Requires TDEC to file an annual report with the Conservation and Environment Committee of the House of Representatives and the Energy and Environment Committee of the Senate to confirm compliance by July 1, 2013.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$24,120,300/Underground Storage Tank Fund

Increase State Expenditures – \$12,868,800/General Fund

Decrease State Expenditures – \$24,120,300/Underground Storage Tank Fund

Decrease Federal Expenditures – \$2,098,500/Underground Storage Tank Fund

Increase Local Expenditures – Net Impact – Exceeds \$100,000

Assumptions:

- The Underground Storage Tank Fund (USTF) is not a federal requirement and therefore will cease to exist.
- Approximately \$22,021,800 in tank fee and environmental assurance fee revenue will be eliminated.
- According to TDEC, the UST Program applies for two federal grants each year totaling \$2,098,500 per year. Ending the program will decrease recurring federal expenditures and recurring state revenue to the USTF.
- A total recurring decrease in state revenue to the USTF of \$24,120,300 (\$22,021,800 + \$2,098,500) and a total recurring decrease in state expenditures from the USTF of an equal amount.
- In the first six months of FY11-12, the UST Program reimbursed on average \$1,072,400 per month for corrective action claims. These expenditures will still be required in the absence of the USTF. A recurring increase in state expenditures from the General Fund of \$12,868,800 (\$1,072,400 x 12 months).
- Current gas tax revenue appropriated to TDEC will be sufficient for staffing to enforce federal requirements. In the event that additional staff is needed, an appropriation from the General Fund will be required.

- A decrease in local government tank fee expenditures of \$109,750 to pay the state for insurance coverage. In FY04-05, TDEC investigated insurance rates for underground storage tanks; at the time, insurance rates exceeded \$250 per year. It is assumed that insurance rates have increased over the seven-year period. The increase in local government expenditures to privately insure underground storage tanks will exceed \$109,750 per year (439 tanks x \$250 per year). The net recurring increase in local expenditures to privately insure underground storage tanks cannot be determined.
- Local governments will be subject to federal inspection and enforcement with penalties up to \$37,500 per day. The number of violations, and any resulting increase in local government expenditures, cannot be reasonably determined.
- The UST Program currently provides free training to all tank owners in Tennessee.
- Local governments will incur training costs in order to obtain federally mandated training.
- The total net increase in local government expenditures, including insurance premiums, penalties, and training fees, is reasonably estimated to exceed \$100,000 annually.
- Pursuant to Tenn. Code Ann. § 68-215-110(h)(3)(A)(ii), the state shall credit an amount not to exceed \$3,000,000 to the General Fund annually from environmental assurance fees until July 1, 2012. Since the effective date of the bill is July 1, 2012, there will be no impact on General Fund revenue from this transfer.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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